

CAMERON PARISH WATER AND WASTEWATER DISTRICT NO. 1  
Cameron, Louisiana

ANNUAL FINANCIAL REPORT  
AND INDEPENDENT AUDITORS' REPORT

Year Ended December 31, 2013

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## CAMERON PARISH WATER AND WASTEWATER DISTRICT NO. 1

### Management's Discussion and Analysis

The Management's Discussion and Analysis of the Cameron Parish Water and Wastewater District No. 1 presents a narrative overview and analysis of the District's financial activities for the year ended December 31, 2013. This document focuses on the current year's activities, resulting changes, and currently known facts in comparison with the prior year's information. Please read this document in conjunction with the additional information contained in the financial statements.

### FINANCIAL HIGHLIGHTS

- \* The District's assets exceeded its liabilities by \$6,226,622 (net position).
- \* Total net position is comprised of the following:
  - (1) Net investment in capital assets of \$2,178,804 includes property and equipment, net of accumulated depreciation.
  - (2) Net position - unrestricted of \$4,047,818 represents the portion available to maintain the District's continuing obligations to customers and creditors.
- \* Total revenues of \$460,921 were less than total expenditures of \$574,207, which resulted in a current year deficit of \$113,286, compared to the prior year surplus of \$40,596.
- \* Charges for services decreased by \$15,294 or 4.2% after decreasing by \$28,750 or 7.2% last year.
- \* The District continues to operate without the need for debt borrowings.

### OVERVIEW OF THE FINANCIAL STATEMENTS

The following graphic illustrates the minimum requirements for Special Purpose Governments Engaged in Business-Type Activities established by Governmental Accounting Standards Board Statement 34, Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments.

Management's Discussion and Analysis

Basic Financial Statements

These financial statements consist of two sections – Management's Discussion and Analysis (this section) and the basic financial statements, including the notes to the financial statements.

Continued

## CAMERON PARISH WATER AND WASTEWATER DISTRICT NO. 1

### Management's Discussion and Analysis - Continued

The basic financial statements present information for the District as a whole, in a format designed to make the statements easier for the reader to understand. The statements in this section include the Statement of Net Position, the Statement of Revenues, Expenses, and Changes in Net Position, and the Statement of Cash Flows.

The Statement of Net Position presents all of the District's assets, plus deferred outflows of resources, less liabilities, less deferred inflows of resources, with the difference reported as net position. Net position may provide a useful indicator of whether the financial position of the District is improving or deteriorating.

The Statement of Revenues, Expenses and Changes in Net Position presents information showing how the District's assets changed as a result of current year operations. Regardless of when cash is affected, all changes in net position is reported when the underlying transactions occur. As a result, there are transactions included that will not affect cash until future fiscal periods.

The Statement of Cash Flows presents information showing how the District's cash changed as a result of current year operations. The cash flow statement is prepared using the direct method and includes the reconciliation of operating income (loss) to net cash from operating activities (indirect method) as required by GASB 34.

The notes provided additional information that is essential to a full understanding of the data provided in the financial statements.

### FINANCIAL ANALYSIS OF THE DISTRICT

Over time, as year-to-year financial information is accumulated on a consistent basis, changes in net position may be observed and used to discuss the changing financial position of the District as a whole. The District's net position at fiscal year-end is \$6,226,622. The following table provides a summary of the District's net position:

|                                  | <u>2013</u>         | <u>2012</u>         |
|----------------------------------|---------------------|---------------------|
| Current assets                   | \$ 4,113,474        | \$ 4,119,649        |
| Capital assets                   | <u>2,178,804</u>    | <u>2,280,322</u>    |
| Total assets                     | 6,292,278           | 6,339,971           |
| Deferred outflows of resources   | <u>-</u>            | <u>-</u>            |
| Total liabilities                | <u>65,656</u>       | <u>60,063</u>       |
| Deferred outflows of resources   | <u>-</u>            | <u>-</u>            |
| Net position:                    |                     |                     |
| Net investment in capital assets | 2,178,804           | 2,380,392           |
| Net position - unrestricted      | <u>4,047,818</u>    | <u>4,059,586</u>    |
| Total net position               | <u>\$ 6,226,622</u> | <u>\$ 6,339,908</u> |

Continued

# CAMERON PARISH WATER AND WASTEWATER DISTRICT NO. 1

## Management's Discussion and Analysis - Continued

Net position of the District decreased by \$113,286 for the year ended December 31, 2013.

|                                       | <u>2013</u>         | <u>2012</u>      |
|---------------------------------------|---------------------|------------------|
| Operating revenues                    | \$ 364,232          | \$ 412,828       |
| Operating expenses                    | <u>574,207</u>      | <u>511,332</u>   |
| Operating income (loss)               | (209,975)           | (98,504)         |
| Non-operating revenues (expenses)     | <u>96,689</u>       | <u>139,100</u>   |
| Net increase (decrease) in net assets | <u>\$ (113,286)</u> | <u>\$ 40,596</u> |

The District's operating revenues are derived primarily from fees for water and sewer services. The District's operating revenues are insufficient to cover operating expenses and must rely on ad valorem taxes to supplement income.

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

The District's net investment in capital assets as of December 31, 2013, was \$2,178,804. See Note C for additional information about changes in capital assets during the fiscal year and outstanding at the end of the year. The following table provides a summary of capital asset activity.

|                               | <u>2013</u>         | <u>2012</u>         |
|-------------------------------|---------------------|---------------------|
| Nondepreciable assets – land  | \$ 67,950           | \$ 67,950           |
| Depreciable assets:           |                     |                     |
| Buildings                     | 92,829              | 92,829              |
| Distribution System           | 5,201,182           | 5,201,182           |
| Equipment                     | <u>242,126</u>      | <u>241,697</u>      |
| Total depreciable assets      | 5,536,137           | 5,535,708           |
| Less accumulated depreciation | <u>3,425,283</u>    | <u>3,323,336</u>    |
| Book value-depreciable assets | <u>2,110,854</u>    | <u>2,212,372</u>    |
| Percentage depreciated        | <u>62%</u>          | <u>60%</u>          |
| Book value-all assets         | <u>\$ 2,178,804</u> | <u>\$ 2,280,322</u> |

Continued

## CAMERON PARISH WATER AND WASTEWATER DISTRICT NO. 1

### Management's Discussion and Analysis - Continued

#### **Debt**

The District has no debt.

#### **ECONOMIC CONDITIONS AFFECTING THE DISTRICT**

Since the primary revenue stream for the District is charges for revenue, the District's revenues are subject to changes in the economy.

#### **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide a general overview of the District's finances, comply with finance-related laws and regulations, and demonstrate the District's commitment to public accountability. If you have any questions about this report or would like to request additional information, contact the District's Office Manager Kathy Guilbeaux, P.O. Box 960, Cameron, LA 70631.



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## INDEPENDENT AUDITORS' REPORT

May 22, 2014

Board of Commissioners  
Cameron Parish Water and Wastewater District No. 1  
Cameron, Louisiana

### Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of Cameron Parish Water and Wastewater District No. 1, a component unit of the Cameron Parish Police Jury, as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise Cameron Parish Water and Wastewater District No. 1's financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of Cameron Parish Water and Wastewater District No. 1 as of December 31, 2013, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and schedule of funding progress on pages 3 through 6 and 26, respectively be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplemental information in accordance with auditing standards generally accepted in the United States of America, which consisted principally of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated May 22, 2014, on our consideration of Cameron Parish Water and Wastewater District No. 1's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Cameron Parish Water and Wastewater District No. 1's internal control over financial reporting and compliance.

*Gragson, Casiday & Guillory*



## CAMERON PARISH WATER AND WASTEWATER DISTRICT NO. 1

## Statement of Net Position

December 31, 2013

|   | 2013          | 2012          |
|---|---------------|---------------|
| <b>ASSETS</b>                             |               |               |
| Current Assets                            |               |               |
| Cash                                      | \$ 3,996,723  | \$ 3,957,510  |
| Receivables                               |               |               |
| Ad valorem taxes, net                     | 83,821        | 134,843       |
| Accounts, net                             | 32,930        | 27,296        |
| Total Current Assets                      | 4,113,474     | 4,119,649     |
| Property, plant and equipment             |               |               |
| Buildings                                 | 92,829        | 92,829        |
| Distribution system                       | 5,201,182     | 5,201,182     |
| Furnitures, fixtures and equipment        | 242,126       | 241,697       |
|   | 5,536,137     | 5,535,708     |
| Less accumulated depreciation             | 3,425,283     | 3,323,336     |
|   | 2,110,854     | 2,212,372     |
| Land                                      | 67,950        | 67,950        |
|   | 2,178,804     | 2,280,322     |
| <br>Total Assets                          | <br>6,292,278 | <br>6,399,971 |
| <br><b>DEFERRED OUTFLOWS OF RESOURCES</b> | <br>-         | <br>-         |
| <br><b>LIABILITIES</b>                    |               |               |
| Current Liabilities                       |               |               |
| Accounts payable                          | 12,226        | 10,977        |
| Accrued liabilities                       | 11,884        | 13,456        |
| Total Current Liabilities                 | 24,110        | 24,433        |
| Long-term Liability                       |               |               |
| Net OPEB Obligation                       | 41,546        | 35,630        |
| Total Liabilities                         | 65,656        | 60,063        |
| <br><b>DEFERRED INFLOWS OF RESOURCES</b>  | <br>-         | <br>-         |
| <br><b>NET POSITION</b>                   |               |               |
| Net investment in capital assets          | 2,178,804     | 2,280,322     |
| Net position - unrestricted               | 4,047,818     | 4,059,586     |
| Total Net Position                        | \$ 6,226,622  | \$ 6,339,908  |

See accompanying notes.

## CAMERON PARISH WATER AND WASTEWATER DISTRICT NO. 1

Statement of Revenues, Expenses  
and Changes in Net Position

Year Ended December 31, 2013

|                               | 2013       | 2012       |
|-------------------------------|------------|------------|
| OPERATING REVENUES            |            |            |
| Charges for services-water    | \$ 276,346 | \$ 291,590 |
| Charges for services-sewer    | 76,568     | 76,618     |
| Fees and installation charges | 4,734      | 5,162      |
| Miscellaneous revenue         | 6,584      | 39,458     |
| TOTAL OPERATING REVENUES      | 364,232    | 412,828    |
| OPERATING EXPENSES            |            |            |
| Advertising                   | 865        | 693        |
| Auto                          | 9,457      | 9,155      |
| Bank charges                  | -          | 72         |
| Dues                          | 374        | 335        |
| Depreciation                  | 101,947    | 103,843    |
| Equipment rental              | 7,767      | 1,804      |
| Employee benefits - OPEB      | 9,716      | 11,380     |
| Insurance - general           | 13,463     | 15,905     |
| Insurance - health            | 29,102     | 31,075     |
| Licenses and permits          | 3,303      | 3,303      |
| Maintenance                   | 135,041    | 57,504     |
| Miscellaneous                 | 6,020      | 6,118      |
| Office supplies               | 11,019     | 13,564     |
| Per diem                      | 2,760      | 3,120      |
| Professional fees             | 9,425      | 6,000      |
| Rent                          | 11,010     | 10,783     |
| Retirement                    | 20,161     | 20,975     |
| Salaries                      | 122,961    | 128,935    |
| Supplies                      | 28,652     | 41,926     |
| Taxes                         | 1,974      | 1,987      |
| Telephone                     | 5,469      | 5,841      |
| Travel                        | 2,894      | 1,612      |
| Utilities                     | 40,827     | 35,402     |
| TOTAL OPERATING EXPENSES      | 574,207    | 511,332    |
| OPERATING INCOME (LOSS)       | (209,975)  | (98,504)   |

Continued

See accompanying notes.

CAMERON PARISH WATER AND WASTEWATER DISTRICT NO. 1

Statement of Revenues, Expenses  
and Changes in Net Position- Continued

Year Ended December 31, 2013

|   | <u>2013</u>         | <u>2012</u>         |
|---|---------------------|---------------------|
| NON-OPERATING REVENUES (EXPENSES)       |                     |                     |
| Ad valorem taxes, net                   | \$ 86,700           | \$ 124,819          |
| Interest income                         | 9,989               | 10,958              |
| Gain on sale of fixed assets            | -                   | 3,311               |
| Hurricane related income, net           | -                   | 12                  |
| TOTAL NON-OPERATING REVENUES (EXPENSES) | <u>96,689</u>       | <u>139,100</u>      |
| CHANGE IN NET POSITION                  | (113,286)           | 40,596              |
| NET POSITION - BEGINNING                | <u>6,339,908</u>    | <u>6,299,312</u>    |
| NET POSITION - ENDING                   | <u>\$ 6,226,622</u> | <u>\$ 6,339,908</u> |

See accompanying notes.

## CAMERON PARISH WATER AND WASTEWATER DISTRICT NO. 1

## Statement of Cash Flows

Year Ended December 31, 2013

|   | <u>2013</u>                | <u>2012</u>                |
|---|----------------------------|----------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES                            |                            |                            |
| Received from customers and others                              | \$ 358,598                 | \$ 419,311                 |
| Payments for supplies and services                              | (292,684)                  | (183,085)                  |
| Payments to employees   | (122,961)                  | (128,935)                  |
| NET CASH FLOWS FROM OPERATING ACTIVITIES                        | <u>(57,047)</u>            | <u>107,291</u>             |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES                 |                            |                            |
| Ad valorem taxes  | 86,700                     | 124,819                    |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES        |                            |                            |
| Income (expenses)-Hurricane Ike, net                            | -                          | 12                         |
| Proceeds from sale of fixed assets                              | -                          | 9,459                      |
| Purchase of fixed assets  | (429)                      | (9,921)                    |
| NET CASH FLOWS FROM CAPITAL AND RELATED<br>FINANCING ACTIVITIES | <u>(429)</u>               | <u>(450)</u>               |
| CASH FLOWS FROM INVESTING ACTIVITIES                            |                            |                            |
| Interest on investments   | <u>9,989</u>               | <u>10,958</u>              |
| NET INCREASE (DECREASE) IN CASH AND CASH<br>EQUIVALENTS         | 39,213                     | 242,618                    |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR                  | <u>3,957,510</u>           | <u>3,714,892</u>           |
| CASH AND CASH EQUIVALENTS AT END OF YEAR                        | <u><u>\$ 3,996,723</u></u> | <u><u>\$ 3,957,510</u></u> |

See accompanying notes.

Continued

## CAMERON PARISH WATER AND WASTEWATER DISTRICT NO. 1

## Statement of Cash Flows - Continued

Year Ended December 31, 2013

|   | <u>2013</u>        | <u>2012</u>       |
|---|--------------------|-------------------|
| RECONCILIATION OF OPERATING LOSS TO<br>CASH FLOWS FROM OPERATING ACTIVITIES               |                    |                   |
| Operating income (loss)   | \$ (209,975)       | \$ (98,504)       |
| Adjustments to reconcile operating income (loss) to<br>net cash from operating activities |                    |                   |
| Depreciation  | 101,947            | 103,843           |
| (Increase) decrease in  |                    |                   |
| Accounts receivable   | (5,634)            | 6,483             |
| Ad valorem taxes receivable   | 51,022             | 120,118           |
| Increase (decrease) in  |                    |                   |
| Accounts payable  | 1,249              | (26,639)          |
| Accrued liabilities   | (1,572)            | (7,596)           |
| Net OPEB obligation   | 5,916              | 9,586             |
| NET CASH FLOWS FROM OPERATING ACTIVITIES  | <u>\$ (57,047)</u> | <u>\$ 107,291</u> |

See accompanying notes.

# CAMERON PARISH WATER AND WASTEWATER DISTRICT NO. 1

## Notes to Financial Statements

December 31, 2013

### NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Cameron Parish Water and Wastewater District No. 1 was created by the Cameron Parish Police Jury under the provisions of Louisiana Revised Statutes 33:3811 for the purpose of providing water to the Cameron areas of the Parish. The District is governed by a board of commissioners composed of seven members.

#### 1. Reporting Entity

As the governing authority of the parish, for reporting purposes, the Cameron Parish Police Jury is the financial reporting entity for Cameron Parish Water and Wastewater District No. 1. The financial reporting entity consists of (a) the primary government (police jury), (b) organizations for which the primary government is financially accountable, and (c) other organizations for which nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

Governmental Accounting Standards Board Statement No. 14 established criteria for determining which component units should be considered part of the Cameron Parish Police Jury for financial reporting purposes. The basic criterion for including a potential component unit within the reporting entity is financial accountability. The GASB has set forth criteria to be considered in determining financial accountability. This criteria includes:

1. Appointing a voting majority of an organization's governing body, and
  - a. The ability of the police jury to impose its will on that organization and/or
  - b. The potential for the organization to provide specific financial benefits to or impose specific financial burdens on the police jury.
2. Organizations for which the police jury does not appoint a voting majority but are fiscally dependent on the police jury.
3. Organizations for which the reporting entity financial statements would be misleading if data of the organization is not included because of the nature or significance of the relationship.

Because the police jury appoints a voting majority to the board and has the ability to impose its will, the District was determined to be a component unit of the Cameron Parish Police Jury, the financial reporting entity. The accompanying financial statements present information only on the funds maintained by the District and do not present information on the police jury, the general government services provided by the governmental unit, or the other governmental units that comprise the financial reporting entity.

Continued

# CAMERON PARISH WATER AND WASTEWATER DISTRICT NO. 1

## Notes to Financial Statements

December 31, 2013

### NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

#### 2. Basis of Presentation

The accompanying financial statements of the District have been prepared in conformity with governmental accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The accompanying financial statements have been prepared in conformity with GASB Statement 34, "Basic Financial Statements and Management's Discussion and Analysis – for State and Local Governments", issued in June 1999.

The financial statements of the District are prepared on the accrual basis of accounting. Whereby revenues are recognized when earned and expenses are recognized when incurred.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The operating revenues of the District come from metered sales to residential and commercial customers as well as service connection charges and penalties from late payment of bills. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

#### 3. Cash

Cash includes amounts in demand deposits and time deposits with original maturities of 90 days or less. Under state law, the District may deposit funds in demand deposits, interest-bearing demand deposits, money market accounts, or time deposits with state banks organized under Louisiana law and national banks having their principal offices in Louisiana.

These deposits are stated at cost, which approximates market. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties. At December 31, 2013, the District has \$4,007,425 in deposits (collected bank balances). These deposits are secured from risk by \$250,000 of federal deposit insurance and \$3,757,425 of pledged securities held by the custodial bank in the name of the fiscal agent bank.

Continued

CAMERON PARISH WATER AND WASTEWATER DISTRICT NO. 1

Notes to Financial Statements

December 31, 2013

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

4. Accounts Receivable

The District utilizes the allowance method to recognize doubtful accounts. The allowance for doubtful accounts at December 31, 2013 was \$13,862.

There appears to be concentration of credit risk with regard to general accounts receivable and more specifically accounts receivable for water and sewer user fees. The District's ability to collect the amounts due from the users of the District system and others (as reflected on the financial statements) may be affected by significant economic fluctuations, natural disasters or other calamity in this one concentrated geographic location.

5. Compensated Absences

The District has the following policy relating to vacation and sick leave:

Vacation – 5-25 days per year depending on length of service

Sick Leave – 12-18 days per year, depending on length of service

The District's recognition and measurement criteria for compensated absences follow:

GASB Statement No. 16 provides that vacation leave and other compensated absences with similar characteristics should be accrued as a liability as the benefits are earned by the employees if both of the following conditions are met:

- a. The employees' rights to receive compensation are attributable to services already rendered.
- b. It is probable that the employer will compensate the employees for the benefits through paid time off or some other means, such as cash payments at termination or retirement.

GASB Statement No. 16 also provides that a liability for sick leave should be accrued using one of the following termination approaches:

- a. An accrual for earned sick leave should be made only to the extent it is probable that the benefits will result in termination payments, rather than be taken as absences due to illness or other contingencies, such as medical appointments and funerals.
- b. Alternatively, a governmental entity should estimate its accrued sick leave liability based on the sick leave accumulated at the balance sheet date by those employees who currently are eligible to receive termination payments as well as other employees who are expected to become eligible in the future to receive such payments.

Continued



CAMERON PARISH WATER AND WASTEWATER DISTRICT NO. 1

Notes to Financial Statements

December 31, 2013

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

At December 31, 2013, the District had an accrual for compensated absences of \$11,884.

6. Statement of Cash Flow

For purpose of the statement of cash flows, the District considers all highly liquid debt instruments purchased with a maturity of three months or less when purchased to be cash equivalents.

7. Net Position

In the financial statements, equity is classified as net assets and displayed in three components:

- a. Net investment in capital assets – Consist of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net position – Consists of net position with constraints placed on use either by (1) external groups such as creditors, grantors, contributors, laws or regulation of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net position – All other net position that does not meet the definition of "restricted" or "net investment in capital assets".

8. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

9. Subsequent Events

Management has evaluated subsequent events through May 22, 2014 the date the financial statements were available to be issued.

Continued

CAMERON PARISH WATER AND WASTEWATER DISTRICT NO. 1

Notes to Financial Statements

December 31, 2013

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

10. Comparative Data

Comparative totals for the prior have been presented in the accompanying financial statements in order to provide an understanding of changes in the District's financial position and operations.

NOTE B – AD VALOREM TAXES

For the year ended December 31, 2013, taxes of 3.0 mills were levied on property with taxable assessed valuations totaling \$32,756,477.

|                         |                  |
|-------------------------|------------------|
| Total taxes levied were | <u>\$ 96,561</u> |
|-------------------------|------------------|

Property tax millage rates are adopted in July for the calendar year in which the taxes are levied and recorded. All taxes are due and collectible when the assessment rolls are filed on or before November 15<sup>th</sup> of the current year, and become delinquent after December 31<sup>st</sup>. Property taxes not paid by the end of February are subject to lien.

NOTE C – PROPERTY, PLANT AND EQUIPMENT

All property, plant and equipment are valued at historical cost. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable.

Depreciation has been provided over the estimated useful lives of the assets using the straight-line method. The estimated useful lives are as follows:

|                                  |             |
|----------------------------------|-------------|
| Buildings                        | 9-40 years  |
| Distribution system              | 40-50 years |
| Furniture, fixture and equipment | 5-10 years  |

Continued

## CAMERON PARISH WATER AND WASTEWATER DISTRICT NO. 1

## Notes to Financial Statements

December 31, 2013

## NOTE C – PROPERTY, PLANT AND EQUIPMENT - CONTINUED

A summary of changes in fixed assets for the year ended December 31, 2013 are as follows:

|                               | Fixed Assets         |               |             | End of<br>Year      |
|-------------------------------|----------------------|---------------|-------------|---------------------|
|                               | Beginning<br>of Year | Additions     | Deletions   |                     |
| Buildings                     | \$ 92,829            | \$ -          | \$ -        | \$ 92,829           |
| Distribution system           | 5,201,182            | -             | -           | 5,201,182           |
| Equipment and furniture       | 241,697              | 429           | -           | 242,126             |
| Land                          | 67,950               | -             | -           | 67,950              |
|                               | <u>5,603,658</u>     | <u>\$ 429</u> | <u>\$ -</u> | <u>5,604,087</u>    |
| Less accumulated depreciation | <u>3,323,336</u>     |               |             | <u>3,425,283</u>    |
| TOTALS                        | <u>\$ 2,280,322</u>  |               |             | <u>\$ 2,178,804</u> |

Depreciation expense was \$101,947 for the year ended December 31, 2013.

## NOTE D - RETIREMENT COMMITMENTS

The District participates in a state-administered cost-sharing multiple-employer retirement systems, which together cover substantially all of the District's full-time employees. Although separately administered by their respective boards of trustees, these systems are established and regulated by acts of the Louisiana Legislature with respect to membership and contribution requirements, plan benefits, and actuarial determination of funding requirements as provided by the state constitution. Additional disclosures with respect to the District's participation in these systems are provided below.

Parochial Employees' Retirement System

The System is composed of two district plans, Plan A and Plan B with separate assets and benefit provisions. Employees of the District are members of Plan A.

Membership is mandatory as a condition of employment beginning on the date employed if the employee is on a permanent basis working at least twenty-eight hours per week, not participating in another public funded retirement system and under age fifty-five (55) at date of employment. Those individuals paid jointly by a participating employer and the parish are not eligible for membership in the system. Under Plan A, employees who retire at or after age 60 with at least 10 years of credited services, at or after age 55 with 25 years of credited service, or at any age with 30 or more years of creditable service are entitled to a retirement benefit, payable monthly for life, equal to 3 percent of their final compensation multiplied by the employee's years of credited service.

Continued

# CAMERON PARISH WATER AND WASTEWATER DISTRICT NO. 1

## Notes to Financial Statements

December 31, 2013

### NOTE D - RETIREMENT COMMITMENTS - CONTINUED

Final compensation is the employee's monthly earnings during the 36 consecutive or jointed months that produce the highest average. The System also provides death and disability benefits. Benefits are established by state statute.

The Parochial Employees' Retirement System of Louisiana issues a publicly available financial report that includes financial statements and required supplemental information. That report may be obtained by writing to Parochial Employees' Retirement System of Louisiana, P.O. Box 14619, Baton Rouge, LA 70898.

Plan members are required to contribute 9.5% of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current rate is 16.75% of annual covered payroll. The contribution requirements of plan members and the District are established and may be amended by the System's Board of Trustees. The District's contributions to the System for the year ended December 31, 2013 totaled \$20,161.

### NOTE E - PER DIEM

In accordance with Louisiana Revised Statute 33:3819, per diem is allowed not to exceed \$60 per meeting attended, up to twenty-four regular meetings and twelve special meetings. The Board has approved per diem at \$60.

Per diem paid commissioners for the year ended December 31, 2013 were as follows:

|                  |                 |
|------------------|-----------------|
| James Boudreaux  | \$ 600          |
| Davy Doxey       | 600             |
| Christine Mooney | 660             |
| Tammy Peshoff    | 360             |
| Tony Porche      | 540             |
|                  | <u>\$ 2,760</u> |

### NOTE F - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District maintains commercial insurance coverage covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the District. Settled claims have not exceeded this commercial coverage in any of the past four fiscal years.

# CAMERON PARISH WATER AND WASTEWATER DISTRICT NO. 1

## Notes to Financial Statements

December 31, 2013

### NOTE G – LAND LEASE

On January 1, 1982, the District leased 7 acres for sewer pond use for a period of 40 years. The District agreed to care for and maintain the grounds and improvements of the leased premises and to use the leased premises specifically for such activities as related to matters of the District in the area served by the lease. The initial lease was for \$3,555 per year, to increase each year by the CPI. For the year ended December 31, 2013, lease expense was \$11,010.

### NOTE H – POST-EMPLOYMENT BENEFITS

**Plan Description.** The Cameron Parish Water and Wastewater District No. 1's medical benefits are provided through a comprehensive medical plan and are made available to employees upon actual retirement.

Effective with the year ended December 31, 2009, the Cameron Parish Water and Wastewater District No. 1 implemented Government Accounting Standards Board Statement Number 45, *Accounting and Financial Reporting by Employers for Post Employment Benefits Other than Pensions* (GASB 45). This statement has been implemented prospectively. Using this method, the beginning OPEB liability is set at zero and the actuarially determined OPEB liability relative to past service (prior to January 1, 2009) will be amortized and recognized as an expense over thirty years.

Most employees are covered by the Parochial Employees' Retirement System of Louisiana, whose retirement eligibility (D.R.O.P entry) provision are as follows: 30 years of service at any age; age 55 and 25 years of service; age 60 and 10 years of service; or, age 65 and 7 years of service. For employees hired on and after January 1, 2008, retirement eligibility (D.R.O.P. entry) provisions are as follows: age 55 and 30 years of service; age 62 and 10 years of service; or, age 67 and 7 years of service. For the few employees not covered by that system, the same retirement eligibility has been assumed. Complete plan provisions are included in the official plan documents.

**Contribution Rates.** Employees do not contribute to their post employment benefits costs until they become retirees and begin receiving those benefits. The plan provisions and contribution rates are contained in the official plan documents.

**Fund Policy.** Until 2009, the Cameron Parish Water and Wastewater District No. 1 recognized the cost of providing post-employment medical benefits (the Cameron Parish Water and Wastewater District No. 1's portion of the retiree medical benefit premiums) as an expense when the benefit premiums were due and thus financed the cost of the post-employment benefits on a pay-as-you-go basis. In 2013, the Cameron Parish Water and Wastewater District No. 1's portion of health care funding cost for retired employees totaled \$1,800.

Continued

# CAMERON PARISH WATER AND WASTEWATER DISTRICT NO. 1

## Notes to Financial Statements

December 31, 2013

### NOTE H – POST-EMPLOYMENT BENEFITS - CONTINUED

**Annual Required Contribution.** The Cameron Parish Water and Wastewater District No. 1's Annual Required Contribution (ARC) is an amount actuarially determined in accordance with GASB 45. The Annual Required Contribution (ARC) is the sum of the Normal Cost plus the contribution to amortize the Actuarial Accrued Liability (AAL). A level dollar, closed amortization period of 30 years (the maximum amortization period allowed by GASB 43/45) has been used for the post-employment benefits. The actuarially computed ARC is as follows:

|                                    | <u>Medical</u>  |
|------------------------------------|-----------------|
| Normal Cost                        | \$ 4,101        |
| 30-year UAL amortization amount    | 4,250           |
| Annual required contribution (ARC) | <u>\$ 8,351</u> |

**Net Post-employment Benefit Obligation.** The table below shows the Cameron Parish Water and Wastewater District No. 1's Net Other Post-employment Benefit (OPEB) Obligation for the fiscal year.

|                                 | <u>Medical</u>   |
|---------------------------------|------------------|
| Annual required contribution    | \$ 8,351         |
| Interest on Net OPEB Obligation | 1,425            |
| ARC Adjustment                  | <u>(2,060)</u>   |
| Annual OPEB Cost                | 7,716            |
| Contributions made              | -                |
| Current year retiree premium    | <u>(1,800)</u>   |
| Increase in Net OPEB Obligation | 5,916            |
| Beginning Net OPEB Obligation   | <u>35,630</u>    |
| Ending Net OPEB Obligation      | <u>\$ 41,546</u> |

The following table shows the Cameron Parish Water and Wastewater District No. 1's annual post employment benefits (PEB) cost, percentage of the cost contributed, and the net unfunded post employment benefits (PEB) liability:

| Post<br>Employment<br>Benefit | Fiscal Year Ended | Annual<br>OPEB Cost | Percentage<br>of Annual<br>Cost<br>Contributed | Net OPEB<br>Obligation |
|-------------------------------|-------------------|---------------------|--|------------------------|
| Medical                       | December 31, 2013 | \$ 7,716            | 23.33%   | \$ 41,546              |

Continued

# CAMERON PARISH WATER AND WASTEWATER DISTRICT NO. 1

## Notes to Financial Statements

December 31, 2013

### NOTE H – POST-EMPLOYMENT BENEFITS – CONTINUED

**Funded Status and Funding Progress.** In the fiscal year ended December 31, 2013, the Cameron Parish Water and Wastewater District No. 1 made no contributions to its post employment benefits plan. The plan was not funded at all, has no assets, and hence has a funded ratio of zero. Based on the January 1, 2013 actuarial valuation, the most recent valuation, the Actuarial Accrued Liability (AAL) at the end of the year ended December 31, 2013 was \$76,435, which is defined as that portion, as determined by a particular actuarial cost method (the Cameron Parish Water and Wastewater District No. 1 uses the Unit Credit Cost Method), of the actuarial present value of post employment plan benefits and expenses which is not provided by normal cost.

|   |                  |
|---|------------------|
|   | <u>Medical</u>   |
| Actuarial Accrued Liability (AAL)       | \$ 76,435        |
| Actuarial Value of Plan Assets          | -                |
| Unfunded Act. Accrued Liability (UAAL)  | <u>\$ 76,435</u> |
| Funded Ratio (Act. Val. Assets/AAL)     | .00%             |
|   |                  |
| Covered Payroll (active Plan members)   | \$ 126,563       |
| UAAL as a percentage of covered payroll | 60.39%           |

**Actuarial Methods and Assumptions.** Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. The actuarial valuation for post employment benefits includes estimates and assumptions regarding (1) turnover rate; (2) retirement rate; (3) health care cost trend rate; (4) mortality rate; (5) discount rate (investment return assumption); and (6) the period to which the costs apply (past, current, or future years of service by employees). Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

The actuarial calculations are based on the types of benefits provided under the terms of the substantive plan (the plan as understood by the Cameron Parish Water and Wastewater District No. 1 and its employee plan members) at the time of the valuation and on the pattern of sharing costs between the Cameron Parish Water and Wastewater District No. 1 and its plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the Cameron Parish Water and Wastewater District No. 1 and plan members in the future. Consistent with the long-term perspective of actuarial calculations, the actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial liabilities and the actuarial value of assets.

Continued

CAMERON PARISH WATER AND WASTEWATER DISTRICT NO. 1

Notes to Financial Statements

December 31, 2013

NOTE H – POST-EMPLOYMENT BENEFITS – CONTINUED

**Actuarial Cost Method.** The ARC is determined using the United Credit Cost Method. The employer portion of the cost for retiree medical care in each future year is determined by projecting the current cost levels using the healthcare cost trend rate and discounting this projected amount to the valuation date using the other described pertinent actuarial assumptions, including the investment return assumption (discount rate), mortality, and turnover.

**Actuarial Value of Plan Assets.** There are not any plan assets. It is anticipated that in future valuations, should funding take place, a smoothed market value consistent with Actuarial Standards Board ASOP 6, as provided in paragraph number 125 of GASB Statement 45 will be used.

**Turnover Rate.** An age-related turnover scale based on actual experience has been used. The rates, when applied to the active employee census, produce a composite average of approximately 5%.

**Post employment Benefit Plan Eligibility Requirements.** Based on past experience, it has been assumed that entitlement to benefits will commence three years after eligibility to enter the D.R.O.P. Medical benefits are provided to employees upon actual retirement.

**Investment Return Assumption (Discount Rate).** GASB Statement 45 states that the investment return assumption should be the estimated long-term investment yield on the investments that are expected to be used to finance the payment of benefits (that is, for a plan which is funded). Based on the assumption that the ARC will not be funded, a 4% annual investment return has been used in this valuation.

**Health Care Cost Trend Rate.** Because the employer provided medical cost of retirees is limited to a flat \$150 per month, we have assumed a flat 3% annual "trend" as the expected rate of increase in medical cost, including general inflation (see section below on "Inflation Rate"). Conventional medical trend factors have not been used.

**Mortality Rate.** The 1994 Group Annuity Reserving (94GAR) table, projected to 2002, based on a fixed blend of 50% of the unloaded male mortality rates and 50% of the unloaded female mortality rates, is used. This is a published mortality table which was designed to be used in determining the value of accrued benefits in defined benefit pension plans.

Continued



CAMERON PARISH WATER AND WASTEWATER DISTRICT NO. 1

Notes to Financial Statements

December 31, 2013

NOTE H – POST-EMPLOYMENT BENEFITS – CONTINUED

**Method of Determining Value of Benefits.** The “value of benefits” has been assumed to be the portion of the premium after retirement date expected to be paid by the employer for each retiree and has been used as the basis for calculating the actuarial present value of OPEB benefits to be paid. The employer pays a flat \$150 per month of the cost of the medical and life insurance combined for the retirees only (not dependents). Because of the combined nature of the flat monthly employer payment, we have valued only the medical benefits. Effective with this valuation and forward, retirees with at least thirty years of service are entitled to 100% of medical benefits paid by the employer for retiree only coverage, not dependents.

**Inflation Rate.** Included in both the Investment Return Assumption and the Healthcare Cost Trend rates above is an implicit inflation assumption of 2.50% annually.

**Projected Salary Increases.** This assumption is not applicable since neither the benefit structure nor the valuation methodology involves salary.

**Post-retirement Benefit Increases.** The plan benefit provisions in effect for retirees as of the valuation date have been used and it has been assumed for valuation purposes that there will not be any changes in the future.

**Below is a summary of OPEB cost and contributions for the last three fiscal years.**

|  | OPEB Costs and Contributions |                 |                 |
|--|------------------------------|-----------------|-----------------|
|  | <u>2011</u>                  | <u>2012</u>     | <u>2013</u>     |
| OPEB Cost                              | \$ 11,237                    | \$ 11,530       | \$ 7,716        |
| Contribution                           | -                            | -               | -               |
| Retiree premium                        | <u>1,800</u>                 | <u>1,944</u>    | <u>1,800</u>    |
| Total contribution and premium         | <u>1,800</u>                 | <u>1,944</u>    | <u>1,800</u>    |
| Change in net OPEB obligation          | <u>\$ 9,437</u>              | <u>\$ 9,586</u> | <u>\$ 5,916</u> |
| % of contribution to cost              | 0.0%                         | 0.0%            | 0.0%            |
| % of contribution plus premium to cost | 16.0%                        | 16.9%           | 23.33%          |

CAMERON PARISH WATER AND WASTEWATER DISTRICT NO. 1

Employee Health Care Plan

December 31, 2013

Schedule of Funding Progress (Unaudited)

| <u>Actuarial<br/>Valuation<br/>Date</u> | <u>Actuarial<br/>Value of<br/>Assets</u> | <u>Actuarial<br/>Accrued<br/>Liability<br/>(AAL)</u> | <u>Unfunded<br/>Actuarial<br/>Accrued<br/>Liability<br/>(UAAL)</u> | <u>Funded<br/>Ratio</u> | <u>Covered<br/>Payroll</u> | <u>UAAL as a<br/>Percentage<br/>of Covered<br/>Payroll</u> |
|---|--|--|--|-------------------------|----------------------------|--|
| December 31,<br>2011                    | \$ 0                                     | \$ 91,226  | \$ 91,226  | 0.00%                   | \$ 162,082                 | 56%  |
| December 31,<br>2012                    | \$ 0                                     | \$ 98,670  | \$ 98,670  | 0.00%                   | \$ 129,835                 | 77%  |
| December 31,<br>2013                    | \$ 0                                     | \$ 76,435  | \$ 76,435  | 0.00%                   | \$ 126,563                 | 60%  |



**GRAGSON, CASIDAY & GUILLORY, L.L.P.**  
CERTIFIED PUBLIC ACCOUNTANTS

W. GEORGE GRAGSON, C.P.A.  
RICHARD W. CASIDAY, C.P.A.  
RAYMOND GUILLORY, JR., C.P.A.  
GRAHAM A. PORTUS, E.A.  
COY T. VINCENT, C.P.A.  
MICHELLE LEE, C.P.A.  
BRADLEY J. CASIDAY, C.P.A., C.V.A.  
  
JULIA W. PORTUS, C.P.A.  
KATHRYN BLESSINGTON, C.P.A.  
JACKLYN BRANEFF, C.P.A.

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN  
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE  
WITH GOVERNMENT AUDITING STANDARDS**

May 22, 2014

Board of Commissioners  
Cameron Water and Wastewater District No. 1  
Cameron, Louisiana

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the business-type activities of the Cameron Water and Wastewater District No. 1, a component unit of the Cameron Parish Police Jury, as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise Cameron Water and Wastewater District No. 1's basic financial statements, and have issued our report thereon dated May 22, 2014.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Cameron Water and Wastewater District No. 1's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Cameron Water and Wastewater District No. 1's internal control. Accordingly, we do not express an opinion on the effectiveness of Cameron Water and Wastewater District No. 1's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or, detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses that we consider to be significant deficiencies.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Cameron Water and Wastewater District No. 1's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Cameron Water and Wastewater District No. 1's Response to Findings**

Cameron Water and Wastewater District No. 1's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

*Gragson, Casiday & Guillory*

CAMERON WATER AND WASTEWATER DISTRICT NO. 1

Schedule of Findings and Responses

Year Ended December 31, 2013

I - Summary of Auditors' Results

*Financial Statements*

Type of auditors' report issued: unqualified

Internal control over financial reporting:

- Material weaknesses(es) identified? \_\_\_\_\_ yes   X   no
- Control deficiencies identified that are not considered to be material weakness(es)?   X   yes \_\_\_\_\_ none reported

Noncompliance material to financial statements noted?

\_\_\_\_\_ yes   X   no

II – Financial Statement Findings

**Finding #2013-1:**

**Inadequate Segregation of Duties**

Condition: Because of the small size of the District's office staff, the opportunity for segregation of duties is limited. Effective internal control requires adequate segregation of duties among entity personnel.

Effect: Without proper segregation of duties, misstatements in amounts may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Recommendation: To the extent cost effective, duties should be segregated and management should attempt to mitigate this weakness by supervision and review procedures.

Management Response/Corrective Action Planned: Management has responded that it does not believe that it is cost effective to employ adequate personnel to achieve appropriate segregation of duties. Management has implemented supervision and review procedures such as review and approval of supporting documents related to expenditures, review listings of revenue received and review bank reconciliations on a monthly basis.

III – Federal Award Findings and Questioned Costs

- N/A

Continued

CAMERON WATER AND WASTEWATER DISTRICT NO. 1

Schedule of Findings and Responses - Continued

Year Ended December 31, 2013

IV – Prior Year Audit Findings

- Finding #2012-1:

Proper segregation of duties for effective internal controls is not in place.

Corrective Actions Taken: None, a repeat finding in 2013.